

Message Text

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PAGE 01 KATHMA 00402 210304Z
ACTION SS-25

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R 201108Z JAN 78
FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC 817
INFO AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY NEW DELHI
AMEMBASSY TEHRAN

C O N F I D E N T I A L KATHMANDU 0402

EXDIS

E.O. 11652: GDS
TAGS: ECON, ETRD, IN, IR, PK, UR
SUBJECT: INDIAN OCEAN "COMMON MARKET"

REF: A) KATHMANDU 0387, B) TEHRAN 198, C) ISLAMABAD 297,
D) NEW DELHI 702, E) KABUL 412

1. ADDRESSEES MAY HAVE NOTED IN REF A THAT
DURING MY MEETING WITH FOREIGN MINISTER ARYAL JAN 18
HE RAISED (WITHOUT PROMPTING ON MY PART) SUBJECT OF SHAH'S
VARIOUS SCHEMES FOR REGIONAL DEVELOPMENT INCLUDING
ASIAN HIGHWAY AND RAILWAY AND COMMON MARKET. SUBJECT
ALSO SURFACED RECENTLY IN LOCAL PRESS WHICH FEATURED AN
EDITORIAL FROM A BANGLADESH DAILY CALLING FOR SOUTH ASIAN
SUMMIT TO DISCUSS PROSPECTS FOR PEACE, COOPERATION AND
DEVELOPMENT IN REGION AND ENDORSED
COMMENT REPORTEDLY MADE IN PAKISTAN DAILY THT SHAH'S
PROPOSAL FOR AN ASIAN COMMON MARKET SHOULD BE INCLUDED IN
THESE DELIBERATIONS.

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2. MUCH OF CURRENT DISCUSSION IN PRESS AND ELSEWHERE
ABOUT REGIONAL COOPERATION HAS BEEN GENERATED LOCALLY
BY KING'S CALL FOR REGIONAL COOPERATION IN HARNESSING
AREA'S WATER RESOURCES WHICH HE MADE IN OPENING
ADDRESS TO RECENT COLOMBO PLAN MEETING IN KATHMANDU.
PRESS IS ALSO COMMENTING FAVORABLY ON PRESIDENT'S

REFERENCE TO THIS SUBJECT IN HIS SPEECH TO INDIAN PARLIAMENT AND WITH ITS UNDERSTANDABLE PAROCHIAL PERSPECTIVE HAS INTERPRETED PRESIDENT'S COMMENTS AS SUPPORTIVE OF KING'S INITIATIVE.

3. ALL THIS DISCUSSION ABOUT REGIONALISM, IN ADDITION TO BEING TOPICAL, REFLECTS MORE FUNDAMENTAL DESIRE OF NEPAL TO FIND COUNTER WEIGHT TO INDIA'S OVERWHELMING INFLUENCE IN NEPAL AND CONSIDERABLE CONTROL OF NEPAL'S ECONOMIC AND OTHER LINKS WITH OUTSIDE WORLD BECAUSE OF NEPAL'S LANDLOCKED STATUS. ON WATERS QUESTION, NEPAL SEES ITSELF LARGELY AT MERCY OF INDIA IN ANY NEGOTIATIONS FOR MOBILIZATION OF NEPAL'S SUBSTANTIAL WATER RESOURCES. IT WOULD LIKE THIRD PARTIES TO PARTICIPATE IN THESE NEGOTIATIONS AND IT WOULD WELCOME CUSTOMERS BESIDES INDIA FOR WHAT MAY EVENTUALLY BE ITS CONSIDERABLE HYDROELECTRIC POWER. AS FARFETCHED AS FOREIGN MINISTER ARYAL'S POINT (REF A) MAY SEEM TO BE AT PRESENT REGARDING USE OF NEPAL'S ELECTRICITY IN A COMMON-MARKET ARRANGEMENT OR TO HELP POWER AN ASIAN RAILROAD, NEPAL IS PREPARED TO GRASP AT SUCH STRAWS OR DREAMS.

4. ALL OF THIS IS BY WAY OF NOTING NEPAL'S INTEREST IN REGIONAL ARRANGEMENTS, NO MATTER HOW UNREALISTIC
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THEY MAY SEEM TO BE. WHILE FULLY AGREEING WITH POINTS MADE IN REFTELS THAT WE SHOULD KEEP OUR HANDS OFF THESE SCHEMES AND LET THEM DEVELOP NATURALLY -- IF AT ALL -- THERE MAY BE MERIT IF SUITABLE OPPORTUNITY PRESENTS ITSELF FOR AMBASSADOR SULLIVAN TO GENTLY REMIND SHAH IN ANY FUTURE DISCUSSION OF HIS SCHEMES FOR THIS AREA THAT IN NEPAL HE WILL FIND A SUPPORTER FOR HIS SCHEMES AND THAT HE MIGHT WANT TO EXPLORE MATTER BY LETTER OR OTHERWISE WITH HIS FELLOW MONARCH IN THIS PART OF THE WORLD. THIS MIGHT FURTHER APPEAL TO THE SHAH'S PATERNALISTIC ATTITUDE TOWARDS HIS ROYAL ASSOCIATES IN ASIA. IN ADDITION WHILE I HAVE NO ILLUSIONS ABOUT NEPAL'S INFLUENCE IN THE REGION, WHICH IS MINIMAL, IT MIGHT IN SOME SMALL WAY PLAY A CONSTRUCTIVE ROLE IN PROMOTING SUCH CONCEPTS WITH PAKISTAN AND OTHERS AND POSSIBLY OVERCOME SOME OF THEIR RESERVATIONS.
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